

Attachment 23 - Earmarked Funds

Background

Earmarked funds are financed by specifically identified revenues and other financing sources that are required by statute to be used for designated activities and must be accounted for separately from the Department's general revenues. The Federal Accounting Standards Advisory Board (FASAB) addressed the reporting issues involving earmarked funds in the Statement of Federal Financial Accounting Standards (SFFAS) 27, "Identifying and Reporting Earmarked Funds".

Earmarked funds remain available over time. These funds may be classified as a trust, special or public enterprise fund. The three required criteria for an earmarked fund are:

1. A statute committing the Department to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits or purposes;
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Department's general revenues.

Reporting Requirements

SFFAS 27 requires disclosure of all earmarked funds for which the reporting entity has program management responsibility. The following information should be disclosed:

- ❑ A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources.
- ❑ The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows.
- ❑ Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

The total cumulative results of operations of all earmarked funds shown in the note disclosure (Note 23) should agree with the cumulative results of operations of earmarked funds shown on the face of the component entity's Balance Sheet and the Statement of Changes in Net Position. SFFAS 27 contains guidance if more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources. Refer to SFFAS 27 for restatement rules and additional disclosure requirements.

Attachment 23 - Earmarked Funds

To accommodate the reporting of earmarked funds for financial statement and note presentation in DDRS-AFS, new United States Standard General Ledger (USSGL) accounts have been created for 1st quarter FY 2006 to include attributes with “Earmarked Funds”. These accounts map directly to report lines on the financial statements as well as Note 23 “Earmarked Funds”. In addition, USSGL 2610 with attributes of Pension and Medicare also crosswalk to earmarked fund report lines, but are only used by the Military Retirement Fund (MRF) and the Medicare Eligible Retiree Health Care Fund (MERHCF).

Note Disclosures

The following information should be disclosed in Note 23 “Earmarked Funds” for the MRF and MERHCF individually. All other entities that will report earmarked funds will be presented in the aggregate on the note:

1. Condensed information about assets to include reporting of FBWT, Investments and Accounts and Interest Receivable.
2. Condensed information about liabilities and net position to include reporting of Military Retirement Benefits and Other Employment Related Actuarial Liabilities and Cumulative Results of Operations.
3. Condensed information on gross program costs, earned revenue, net cost of operations, and Other Nonexchange Revenue, and changes to net position.
4. A description of the fund’s purpose, how the component accounts for and reports the fund, and its authority to use those revenues and other financing sources.
5. The sources of the revenue or other financing for the period and an explanation of the extent to which they are inflows or resources to the Department.
6. Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund.
7. Any eliminations between earmarked funds and other funds within the reporting entity should be disclosed.

Questions regarding this guidance should be directed to Chris Mazzearella at (317) 510-2569.